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Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason

Re: Environmental Portfolio Standard, Docket No. RE-00000C-05-0030

Dear Colleagues and Parties to the Docket:

I write today in response to the Environmental Portfolio Standard (EPS) draft rule released on April 22, 2005. While I applaud the general direction presented by the EPS draft, I am concerned that several key provisions were omitted from it.

The EPS draft rule amendment lacks specific language on two important items: net metering and interconnection. The draft takes time to define net metering in section R14-2-1801.¹ However, the concept of Net Metering is not mentioned in any detail throughout the remainder of the draft.

I would encourage adoption of language implementing Net Metering as follows:

"Net Metering. All utilities participating in the EPS will seek approval of net metering tariffs that support the goals of the Distributed Renewable Energy Requirement based on the deadlines listed in this section. Uniform net metering guidelines will be developed by the Commission with stakeholder input occurring through the Distributed Generation Working Group established in 2005 as part of the APS Rate Case Settlement. The deadlines for filing the tariffs are:

Not later than January 1, 2007: Arizona Public Service Company and Tucson Electric Power Company

Not later than March 1, 2007: UNS Electric and Navopache Electric Cooperative

Not later than May 1, 2007: Trico Electric Cooperative, Mohave Electric Cooperative

¹ "Definitions: "Net Metering" or "Net Billing" is a method by which a customer may use excess electricity from a Customer-Owned and Customer-Sited Distributed Renewable Energy Resource to offset electricity purchased from an Affected Utility."

Not later than July 1, 2007: Graham County Electric Cooperative, Sulphur Springs Electric Cooperative

Not later than September 1, 2007: All remaining Affected Utilities and Electric Service Providers."

The EPS draft rule amendment wording also omits any practical definition of standardized interconnection policies. I would encourage the Commission to adopt interconnection language that defines the program and develops deadlines for each participating utility to file standardized interconnection policies.

I would propose the following language be added to the draft to incorporate interconnection:

"Interconnection. All utilities participating in the EPS will seek approval of standardized interconnection policies relating to systems qualifying for the Distributed Renewable Energy Requirement based on the deadlines listed in this section. Uniform standards will be developed by the Commission, with stakeholder input, occurring through the Distributed Generation Working Group established in 2005 as part of the APS Rate Case Settlement."

By setting net metering and interconnection standards, we can lay the groundwork for more customers, both residential and business, to install and use renewable energy. Without these tools, distributed generation is far less likely to take root.

Finally, I encourage the Commission to revise the EPS draft rule wording to enhance the carve-out for distributed solar generation. Distributed solar generation permits end-users to participate directly in the EPS, where utility-scale, utility-owned projects do not. As drafted, the proposed rule requires solar electricity generation to be 20% of the total portfolio percentage. Of this, only 25% would come from distributed solar electricity. I would recommend that the Commission increase the amount of distributed solar electricity generation to 50% by 2016. It would be implemented on the following schedule:

Year	Proposed Distributed Solar Electricity Requirement
2006	10%
2007	10%
2008	15%
2009	15%
2010	20%
2011	25%
2012	30%
2013	35%
2014	40%

2015	45%
2016	50%
2017	50%
2018	50%
2019	50%
2020	50%
2021	50%
2022	50%
2023	50%
2024	50%
2025	50%

By requiring utilities to generate a larger percentage of the overall portfolio from solar electricity, the Commission would send a strong signal to the rest of the country that Arizona seeks to once again assume a leadership role in distributed solar energy production. As it stands now, New Jersey installs more distributed solar electricity than Arizona. I am confident that the industry is capable of meeting this new, higher standard. For example, in 2004, APS allocated \$2 million for grid tying PV projects; of that \$1.8 million was reserved by APS customers despite minimal advertising of the program by APS and a delay in availability of some of the funding. A higher solar electric percentage should, and will encourage more solar electricity production across the state.

The EPS rulemaking represents an unparalleled opportunity to expand Arizona's commitment to renewable energy and in the process to continue the process of weaning our state off increasingly scarce and expensive fossil fuels. Including net metering and interconnection provisions and increasing the amount of distributed solar electricity required under the rule will help us achieve those goals.

Sincerely,



Kris Mayes
Commissioner

CC: Brian McNeil
Ernest Johnson
Ray Williamson
Heather Murphy